



REPORT BY THE
DEPARTMENT OF FISH & GAME
AUDITS BRANCH

WA-08-06

INTERNAL ACCOUNTING
&
ADMINISTRATIVE CONTROL AUDIT
FINANCIAL REPORTING CYCLE

JANUARY 2009



Memorandum

To: H. Carriker, Deputy Director
Administrative Division

Date: January 30, 2009

From: Brian A. Kwake
Department of Fish and Game

Audit Control Number
WA-08-06

Subject: Final Audit Report – Financial Reporting Cycle

As mandated by the Financial Integrity and State Manager's Accountability Act (FISMA) and the State Administrative Manual (SAM) Section 20060, attached is the final audit report of the Department of Fish and Game's (Department) financial reporting cycle for the period July 1, 2007 through June 30, 2008. The audit was conducted under the authority of the Audit Branch's (AB) charter that established the AB as the unit responsible for conducting audits of the operating systems and programs of the Department. The audit was performed in accordance with the *International Standards for the Professional Practice of Internal Auditing* as required by the Government Code, Section 1236.

There were no reportable findings so no response will be needed for this audit report.

We would like to thank the Administrative Services Branch and the Business Services Office staff for their time and cooperation. Should you have any questions, please contact Scott Marengo, or myself, at (916) 445-3367.

Attachment

cc: J. McCamman
C. Jones
H. Kiyan
W. Fong
Audit File

REPORT BY THE
DEPARTMENT OF FISH & GAME
AUDITS BRANCH

WA-08-06

INTERNAL ACCOUNTING
&
ADMINISTRATIVE CONTROL AUDIT
FINANCIAL REPORTING CYCLE

JANUARY 2009

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| SUMMARY | 1 |
| FOLLOW-UP ON PRIOR AUDIT FINDINGS | 2 |
| BACKGROUND | 3 |
| SCOPE, METHODOLOGY, AND OBJECTIVES | 4 |
| CONCLUSION | 5 |

SUMMARY

The Department of Fish and Game's (Department) Audits Branch (AB) performed an audit of the Department's financial reporting cycle. The audit was conducted to determine whether internal accounting and administrative controls over the financial reporting cycle are adequate, that sufficient supervision over the compilation of financial statements and reports exist, financial statements are promptly and accurately prepared, year-end accounts payable represent authorized current obligations, encumbrance balances are valid and adequately disclosed, and Federal Financial Reports are completed and submitted timely. The audit found the internal control structure over the financial reporting cycle is adequate.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

On November 5, 2005, the AB issued audit report number WA 04-15 on the Department's financial reporting cycle. The report included findings on subsidiary and general ledger balances not reconciled for fund 200 and financial statements were not submitted timely. We followed-up on these findings in this report and determined the prior audit findings have been fully resolved.

BACKGROUND

To ensure that State agency internal control systems are in place and operative, the Legislature enacted “The Financial Integrity and State Manager’s Accountability Act (FISMA) of 1983” (Government Code Sections 13400 – 13407). FISMA places the responsibility for establishing and maintaining an agency’s system of internal accounting and administrative controls with the agency head. State agencies are required to review their agencies’ internal control structure every two years. Accordingly, as part of the continuing internal control audit requirement, the Department’s financial reporting cycle was selected for audit.

Government Code (GC), Section 13403, states that the elements of a satisfactory system of internal accounting and administrative controls include:

- Proper segregation of duties to safeguard State assets;
- Limiting access to State assets to authorized personnel who require those assets in the performance of their assigned duties;
- An adequate system of authorization and record keeping to provide effective accounting control over assets, liabilities, revenues, and expenditures;
- An established system of practices to be followed in performance of duties and functions;
- Hiring qualified personnel commensurate with their responsibilities; and
- An effective system of internal review.

Per GC Section 1236, internal accounting and administrative control audits will be conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors, Inc. Lastly, the DOF - OSAE recommends the use of their *Audit Guide for the Evaluation of Internal Controls* to meet the internal accounting and administrative control auditing requirement.

SCOPE, METHODOLOGY, AND OBJECTIVES

The AB audited the financial reporting cycle internal accounting and administrative controls for the period July 1, 2007 through June 30, 2008. Our audit was conducted in accordance with *Governmental Auditing Standards* issued by the Comptroller General of the United States and the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

Using the DOF-OSAE's *Audit Guide for the Evaluation of Internal Controls*, the following procedures were performed during the audit: interviews of key personnel; the completion of checklists and internal control questionnaires; identifying internal accounting and administrative controls strengths and weaknesses; the review of applicable laws and regulations; the performance of transaction testing; the analysis of supporting documents, forms, and reports; and other audit procedures as required.

The objectives of the audit were to provide the Department's management with reasonable, but not absolute, assurance that:

- There is adequate supervision over the compilation of financial statements and reports;
- Financial statements are promptly and accurately prepared;
- Year-end accounts payable represent authorized current obligations and encumbrance balances are valid and adequately disclosed; and
- Federal Financial Reports are completed and submitted timely.

CONCLUSION

In our opinion, the Department has properly supported financial reporting cycle transactions for the period July 1, 2007 through June 30, 2008. The internal accounting and administrative control structure over the financial reporting cycle at June 30, 2008, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the processing of transactions within the financial reporting cycle.

Brian A. Kwake, Chief
Audits Branch

January 30, 2009

Audit Staff: Scott Marengo